

ASX/MEDIA RELEASE

Gale Pacific Limited
(ASX: GAP)

23 August 2022

GALE PACIFIC DELIVERS STRONG FINISH TO FY22 DOUBLE-DIGIT GROWTH IN H2 REVENUE, EBITDA & PROFIT

- H2 revenue **\$109.6 million; up 10.6%** on H2 FY21 and up 16.6% on H2 FY20
- H2 EBITDA **\$16.6 million; up 22.8%** on H2 FY21 and up 8.5% on H2 FY20
- H2 PBT **\$10.3 million; up 21.7%** on H2 FY21 and up 23.7% on H2 FY20
- FY22 PBT **\$11.0 million; ahead of previous guidance of \$10.2 – \$10.7 million**
- Final dividend **1.0 cps; 75% franked**

GALE Pacific Limited (**GALE** or the **Company**) today announced a strong finish to the 2022 financial year (**FY22**) with double-digit growth in second half revenue, EBITDA and profit before tax compared to the second half of the 2021 financial year (**H2 FY21**).

The Company delivered H2 FY22 revenue of \$109.6 million, an increase of 10.6% compared to \$99.2 million in H2 FY21; H2 FY22 EBITDA (earnings before interest, tax, depreciation and amortisation) of \$16.6 million, an increase of 22.8% compared to \$13.5 million in H2 FY21; and H2 FY22 PBT (profit before tax) of \$10.3 million, an increase of 21.7% compared to \$8.5 million in H2 FY21.

RESULTS FOR H2 FY22	2H FY22 A\$ million	2H FY21 A\$ million	Change %	2H FY20 A\$ million	Change %
Revenue	109.6	99.2	11	94.0	17
EBITDA	16.6	13.5	23	15.3	9
EBIT	11.4	9.3	23	9.4	21
Profit before tax	10.3	8.5	22	8.3	24
Net profit after tax	7.8	6.3	24	6.4	23
Basic EPS (cents)	2.84	2.30	24	2.28	25

For the full 2022 financial year, GALE delivered revenue of \$205.5 million compared to \$205.2 million in FY21, EBITDA of \$22.9 million compared to \$28.2 million in FY21, and PBT of \$11.0 million compared to \$17.2 million in FY21.

RESULTS FOR FY22	FY22 A\$ million	FY21 A\$ million	Change %	FY20 A\$ million	Change %
Revenue	205.5	205.2	0	156.3	31
EBITDA	22.9	28.2	(19)	18.7	22
EBIT	13.0	19.0	(32)	7.0	86
Profit before tax	11.0	17.2	(36)	4.8	>100
Net profit after tax	7.6	12.3	(38)	3.7	>100
Basic EPS (cents)	2.76	4.48	(38)	1.33	>100
Final dividend (cents per share)	1.0	1.0	100	1.0	100
Special final dividend (cents per share)	Nil	1.0	(100)	Nil	n/a
Total dividends (cents per share)	2.0	4.0	(50)	1.0	100
Net cash from operating activities	7.2	34.6	(79)	7.2	1
Net cash (debt)	(5.5)	1.5	<(100)	(15.3)	64

The directors have declared a final dividend of 1.0 cent per share, 75% franked, payable on 14 October 2022 to shareholders on the register at 30 August 2022.

John Paul Marcantonio, Chief Executive Officer and Managing Director, said: 'We are energised by the momentum with which we finished the 2022 financial year, delivering double-digit year-on-year increases in second-half revenue, earnings and profit before tax.

'This was the third consecutive year of record second-half revenue and profit for the Company, driven by robust business performance in Australia and the United States, our core anchor markets, and a return to growth in the Middle East & North Africa region.

'Our results provided further evidence that our growth and operating strategies are working well and that our business and team are highly resilient in the face of continued challenging and complex global operating conditions.

'We are encouraged by our ability to manage the headwinds we have faced across international shipping, logistics, input cost inflation, operating restrictions in China and overall market volatility throughout this and prior years.

'Our pricing measures throughout the year offset a meaningful portion of the significant increase in input costs. There have been additional price increases implemented entering FY23 across all selling regions and we are encouraged by some early signs of stabilisation in input costs.

'We are a stronger company entering the 2023 financial year with a newly reorganised, talented and experienced executive leadership team collaboratively and efficiently driving our growth strategy into action.

'We have continued investing in people and capabilities to grow GALE Pacific well into the future with a particular focus on sales, marketing and operational talent in the United States given its scale and long-term growth potential for the Company.

'The GALE Pacific Growth Acceleration Plan builds on our growth strategy and outlines how we will grow the Company over the coming years by focusing our efforts, investments and teams on expanding our categories, markets, supply chain, capabilities and people.

'In line with our growth framework, we have recently announced a significant investment to upgrade our ERP systems across markets to cloud-based Microsoft Dynamics 365. These system improvements will significantly enhance cybersecurity while enabling our team to scale the company efficiently in line of our growth plans.

'We added new consumer insight, concept development and testing capabilities to the Company in FY22. These have improved the quality and scale of our innovation and new product pipeline, with the team preparing to launch in FY23 the Company's most significant fabric innovation for the consumer and commercial end-markets in many years.

'We are confident that our brands and products have significant growth potential outside Australia and the United States. We now have the supply chain and operational capabilities to service this core element of our growth strategy. We will invest in growing these new and developing markets for GALE Pacific in FY23 and beyond.

'I would like to thank our entire GALE Pacific team for their hard work and commitment to improving the Company's operations and service while concurrently delivering record results in a highly challenging operating environment.'

REGIONAL RESULTS

AMERICAS

RESULTS FOR H2 FY22	2H FY22 A\$ million	2H FY21 A\$ million	Change %	2H FY20 A\$ million	Change %
Revenue	62.7	59.2	6	55.9	12
EBITDA	13.3	9.9	35	13.0	3

RESULTS FOR FY22	FY22 A\$ million	FY21 A\$ million	Change %	FY20 A\$ million	Change %
Revenue	95.6	96.2	(1)	73.3	30
EBITDA	13.0	13.5	(4)	11.8	10

Second-half revenue of \$62.7 million was a record for GALE in the Americas region for the third consecutive year. Second-half EBITDA of \$13.3 million was also a new record for GALE in the region.

GALE delivered a record second half on the back of new program and product placements, promotional gains and increased pricing across the consumer and commercial markets despite challenging operating conditions associated with international and domestic shipping and logistics.

Throughout the year, there were persistent headwinds due to sustained input cost inflation, particularly in international shipping, distribution, materials and labour. In addition, demand normalised following earlier surges in consumer spending on home improvement on the back of pandemic-related restrictions and government stimulus.

AUSTRALIA / NEW ZEALAND

RESULTS FOR H2 FY22	2H FY22 A\$ million	2H FY21 A\$ million	Change %	2H FY20 A\$ million	Change %
Revenue	36.7	29.6	24	27.8	32
EBITDA	4.5	2.8	61	1.4	220

RESULTS FOR FY22	FY22 A\$ million	FY21 A\$ million	Change %	FY20 A\$ million	Change %
Revenue	93.7	92.0	2	64.6	45
EBITDA	11.5	14.4	(20)	5.4	114

GALE delivered a robust second-half result despite a challenging first half resulting from cooler, wetter weather across eastern Australia and supply chain challenges that constrained production capacity for the Company's coated fabrics. Primary drivers were increased demand for the Company's coated fabrics used in grain handling and water containment and for non-woven coated products used in food handling.

As in the Americas region, there were persistent headwinds due to sustained input cost inflation, particularly in international shipping, distribution, materials and labour, and as demand normalised following earlier surges in consumer spending on home improvement on the back of pandemic-related restrictions and government stimulus.

MIDDLE EAST / NORTH AFRICA

RESULTS FOR H2 FY22	2H FY22 A\$ million	2H FY21 A\$ million	Change %	2H FY20 A\$ million	Change %
Revenue	5.1	4.2	22	4.7	10
EBITDA	0.9	1.1	(18)	0.6	46

RESULTS FOR FY22	FY22 A\$ million	FY21 A\$ million	Change %	FY20 A\$ million	Change %
Revenue	8.6	8.6	(1)	10.5	(18)
EBITDA	1.6	2.2	(30)	2.2	(28)

Improving business conditions, increased infrastructure project investment, new products and price increases were the primary drivers of the revenue increase in the second half. GALE's tightened credit policy improved overall and long-dated debtors in the region at 30 June 2022 compared to 30 June 2021 with limited negative impact on revenue.

EURASIA

RESULTS FOR H2 FY22	2H FY22 A\$ million	2H FY21 A\$ million	Change %	2H FY20 A\$ million	Change %
Revenue	5.1	6.2	(18)	5.6	(10)
EBITDA	1.9	2.2	(16)	2.0	(7)

RESULTS FOR FY22	FY22 A\$ million	FY21 A\$ million	Change %	FY20 A\$ million	Change %
Revenue	7.6	8.4	(9)	8.0	(4)
EBITDA	2.6	2.7	(5)	2.7	(2)

Eurasia revenue and EBITDA for both the second half and the full year were lower compared to prior corresponding periods, driven primarily by demand normalisation across both commercial and consumer end-markets and despite price increases across the market.

BALANCE SHEET AND CASH FLOW

Net cash from operating activities for H2 FY22 was \$13.5 million, up from \$(6.3) million in H1 FY22, driven by customer receipts from strong business performance and profitability in Australia in H1 FY22 and the United States in 2H FY22.

Net cash from operating activities for full year FY22 was \$7.2 million, down from \$34.6 million full year FY21 due to higher inventory investment and input cost inflation.

Net debt at 30 June 2022 was \$5.5 million, down from \$12.8 million at 31 December 2021, due to strong operating cash flow in the second half and compares to a net cash position of \$1.5 million at 30 June 2021 due to higher year-on-year working capital needs.

GALE continues to maintain a healthy balance sheet and low leverage ratios with significant borrowing capacity to fund its Growth Acceleration Plan into the future.

COMPANY STRATEGY

The Company's core strategy is to build GALE Pacific into a faster-growing, world-class, global fabrics technology business by driving product innovation, leading category growth, improving the Company's operations and expanding into new markets.

Building on its market-leading, vertically integrated knitted and coated fabrics core competencies, the Company will invest in accelerating further growth in its anchor markets of the United States and Australia and building its business across new and developing markets.

Gale Pacific's **Growth Acceleration Plan** sets the framework to grow the Company more quickly by focusing and aligning all GALE's efforts, investments and teams on growing its categories, markets, supply chain, capabilities and people.



GROWTH ACCELERATION PLAN



OUTLOOK

The Company is seeing evidence of some level of cost stabilisation and normalisation across input cost categories, in particular international shipping costs, though it is anticipated that complexity and volatility in global supply chains will persist throughout the first half of FY23.

The Company will continue to invest in line with its stated strategy and detailed Growth Acceleration Plan to build GALE Pacific into a faster-growing, world-class global fabrics technology business over the coming years.

We anticipate and are planning for revenue and profit growth in FY23, driven mainly by further growth in the Americas region in the second half of the year. More detail on the Company's earnings outlook will be provided at our annual general meeting in November.

The Board remains focused on building long-term shareholder value and believes that the current share price does not reflect the Company's full underlying value. The Company continues to work closely with its advisors, Luminis Partners, to evaluate options to unlock shareholder value further.

Authorised by the GALE Pacific Board of Directors.

INVESTOR AND ANALYST WEBINAR

A webinar briefing for analysts and investors will be held by CEO John Paul Marcantonio and CFO Sheryl Smith on Tuesday 23 August 2022 at 10.30am Australian Eastern Standard Time.

An accompanying presentation will be made available via the ASX announcements platform prior to the call.

Attendees are required to register beforehand. After registering, a confirmation email will be sent containing information on how to join the webinar.

To register, please go to:

 **GAP FY22 WEBINAR REGISTRATION**

The webinar will include an opportunity for attendees to ask questions. Alternatively, investors can submit questions prior to the webinar via investor.relations@galepacific.com.

ABOUT GALE PACIFIC

GALE Pacific is a market-leading manufacturer of technical fabrics used for consumer and commercial applications around the world. Founded in Melbourne, Australia in 1951, today GALE has operations in Australia, New Zealand, the United States, China and Dubai and employs more than 600 people worldwide. GALE's products are sold across Australia, New Zealand, Asia, the Americas, Europe, the Middle East and a growing number of additional markets.

GALE's products are recognised around the world for their innovative technology, quality, durability and reliability. The company's consumer products, marketed under the Coolaroo® brand, include outdoor roller shades, shade sails, shade and garden fabrics, shade structures and pet products. They can be found at market-leading major retailers, both in-store and online, around the world.

The Company's commercial products, marketed under the GALE Pacific Commercial® brand, include knitted, coated, and advanced polymer fabrics used in a growing number of applications across the agricultural, horticultural, aquacultural, architectural, construction, mining, and packaging industries.

GALE's core strategy is to accelerate its growth as a world-class global fabrics technology business through product innovation, category expansion, expanded distribution in existing and new markets and improved operational efficiency and flexibility.

GALE Pacific Limited's shares are listed on the Australian Securities Exchange (code: GAP).

CONTACT

John Paul Marcantonio

Chief Executive Officer & Managing Director
+61 3 9518 3333
investor.relations@galepacific.com

Adrian Mulcahy

Investor Relations
+61 438 630 422
adrian.mulcahy@marketeye.com.au